

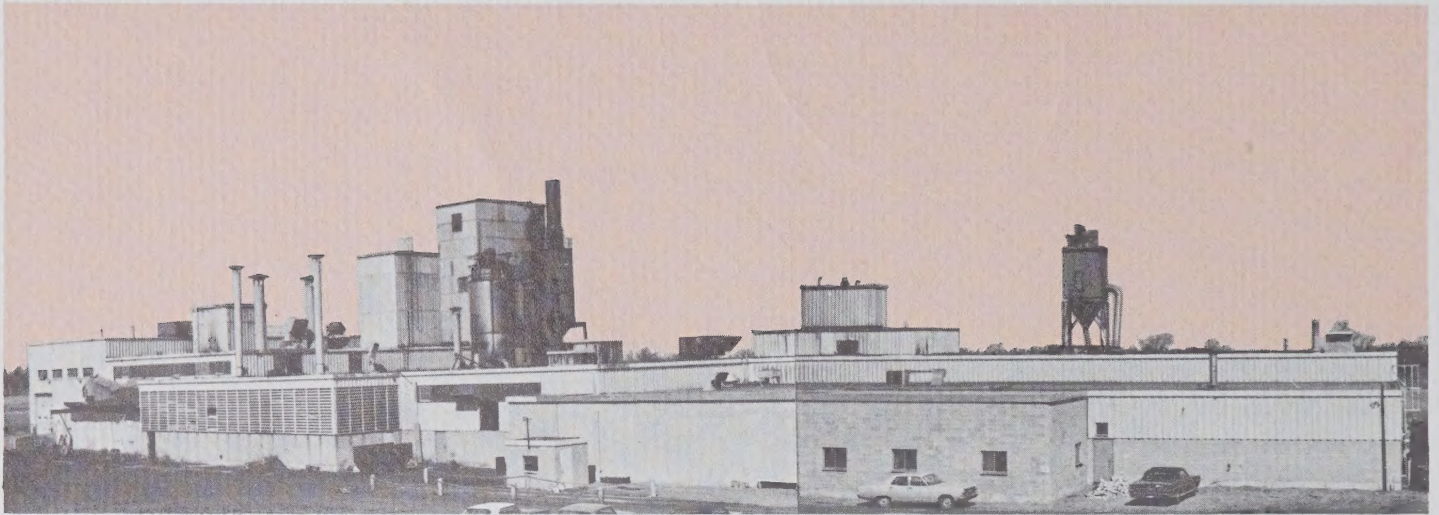
AR25



Galt Malleable Iron Limited

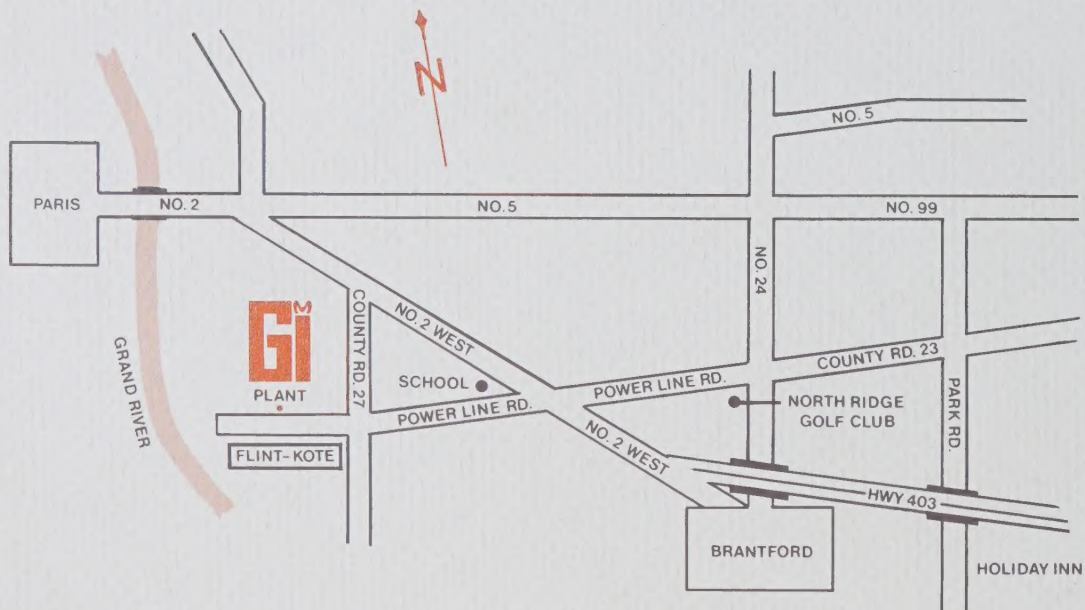


Annual Report 1970



The Brantford foundry after completion of the recent extensive additions.

*Location map of the
Brantford facility where the
Annual and General Meeting
will be held on Wednesday,
May 19, 1971, at 10.30 a.m.*





Directors

D. L. Chandler
H. C. Mackay
H. J. Murphy, Q.C.
R. W. Navarre
F. W. Simpson

Officers

D. L. Chandler, *Chairman of the Board*
H. C. Mackay, *President*
F. W. Simpson, *Secretary-Treasurer*
C. A. Thompson, *Vice-President, Foundry Sales*
N. A. Jones, *General Manager, Foundry Divisions*

Bankers

Royal Bank of Canada

Solicitors

Garvey, Ferriss

Transfer Agents and Registrars

Guaranty Trust Company of Canada

Auditors

Thorne, Gunn, Helliwell & Christenson, *Chartered Accountants*

Head Office

60 Kerr Street, Galt, Ontario

Galt Malleable Iron Limited

and subsidiary companies



Five Year Financial Review

Statement of Income

| | 1970 | 1969 | 1968† | 1967† | 1966*† |
|--|-------------|-------------|-------------|-------------|-------------|
| Sales | \$7,389,728 | \$7,242,867 | \$6,250,797 | \$5,228,356 | \$5,116,731 |
| Income before undernoted items | 738,805 | 1,100,868 | 1,029,130 | 883,702 | 733,584 |
| Depreciation | 204,069 | 170,949 | 153,998 | 150,907 | 158,234 |
| Amortization of deferred financial expense | 4,842 | 790 | 790 | 790 | |
| Interest on long term debt | 230,353 | 88,554 | 110,980 | 130,036 | 50,340 |
| Other interest | 39,600 | 52,410 | 49,817 | 52,109 | 40,784 |
| Loss (profit) on sale of fixed assets | 24,246 | | | (4,499) | |
| | 503,110 | 312,703 | 315,585 | 329,343 | 249,358 |
| Income before income taxes, minority interest and extraordinary items | 235,695 | 788,165 | 713,545 | 554,359 | 484,226 |
| Income taxes | 138,819 | 441,159 | 166,960 | 215,669 | 288,064 |
| Income before minority interest and extraordinary items | 96,876 | 347,006 | 546,585 | 338,690 | 196,162 |
| Dividends on preference shares paid to minority shareholders of subsidiary company | 12,000 | 15,780 | 23,400 | | |
| Income before extraordinary items | 84,876 | 331,226 | 523,185 | 338,690 | 196,162 |
| Extraordinary items | | 177,850 | | | |
| Net income for the year | \$ 84,876 | \$ 509,076 | \$ 523,185 | \$ 338,690 | \$ 196,162 |

Financial and Other Information

| | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|
| Working capital | \$ 773,413 | \$1,004,589 | \$ 548,531 | \$ 340,642 | \$ 206,869 |
| Working capital ratio | 1.70-1 | 1.66-1 | 1.53-1 | 1.23-1 | 1.15-1 |
| Long term debt | \$3,700,410 | \$2,774,600 | \$1,269,400 | \$1,465,000 | \$1,662,365 |
| Number of shares outstanding—first preference | 336 | 336 | 336 | 366 | 423 |
| —second preference | 299 | 309 | 309 | 334 | 397 |
| —common | 522,000 | 522,000 | 520,000 | 476,000 | 476,000 |
| Preference shareholders' equity | \$ 63,500 | \$ 64,500 | \$ 64,500 | \$ 107,121 | \$ 120,478 |
| Common shareholders' equity | \$2,620,405 | \$2,539,392 | \$2,094,563 | \$1,572,277 | \$1,240,955 |
| Total shareholders' equity | \$2,683,905 | \$2,603,892 | \$2,159,063 | \$1,679,398 | \$1,361,433 |
| Earnings per common share† | \$.15 | \$.97 | \$ 1.00 | \$.70 | \$.40 |
| Common share return on common equity | 3.2% | 20.0% | 25.0% | 21.5% | 15.8% |

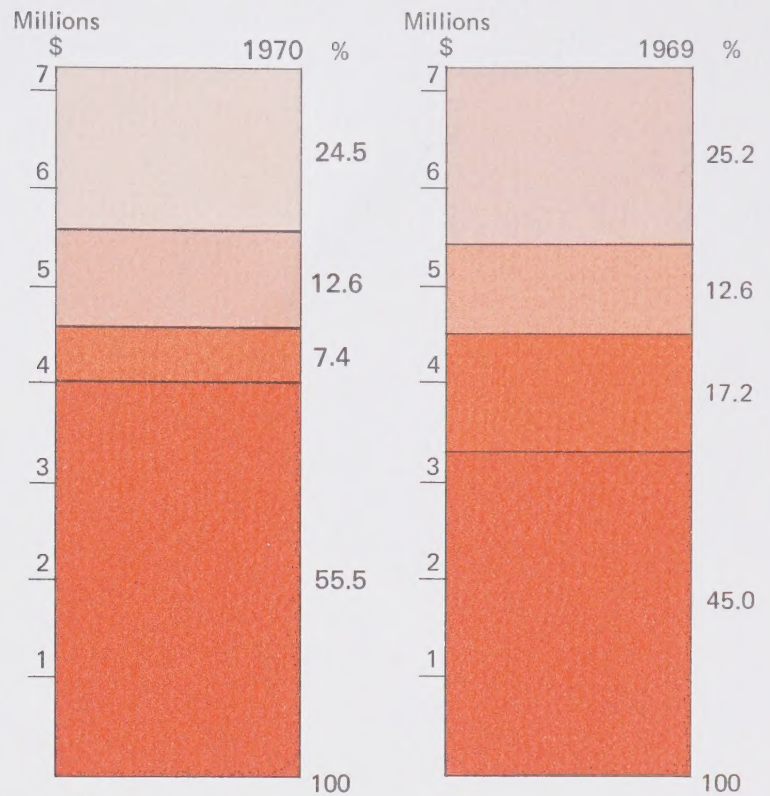
*The figures for 1966 are the consolidated operating results of Galt Malleable Iron Limited for the fourteen months ended December 31, 1966 and Galt-Brantford Malleable Limited for the twelve months ended January 13, 1967.

†Including extraordinary items.

‡The figures for 1966, 1967 and 1968 have been adjusted to reflect the additional income taxes assessed during 1970 and certain figures have been reclassified in order to present them in a form comparable with those for 1969 and 1970.

Analysis of Sales

- Hardware.
- Foundry other Domestic.
- Foundry Automotive Domestic.
- Foundry Automotive Export.



Two of the new coreless electric furnaces at the Brantford foundry being prepared for pouring.

Galt Malleable Iron Limited

and subsidiary companies

Report to Shareholders

Your directors are pleased to submit the 1970 annual report of Galt Malleable Iron Limited and its subsidiary companies, Galt-Brantford Malleable Limited and G.M.I. Properties Limited, including the consolidated financial statements for the fiscal year ended December 31, 1970.

Financial Results

The year under review was a successful and noteworthy year for your company. During the year, the expansion and modernization of the Brantford foundry was completed providing the base for future growth in sales and earnings.

Consolidated sales for the year ended December 31, 1970, were \$7,389,728 compared with last year's sales of \$7,242,867, representing an increase of approximately 2%. The increase in sales over the previous year was all the more gratifying since it was achieved at a time when the North American automotive market was in a downward trend and the Canadian economy, as a whole, was showing signs of severe stress and contraction.

Net after-tax profit for the year was \$84,876, or 15¢ per common share, compared with \$509,076, or 97¢ per common share, in 1969. Heavy and non-recurring start-up costs of the new Brantford plant resulted in an after-tax cost of 27¢ per common share.

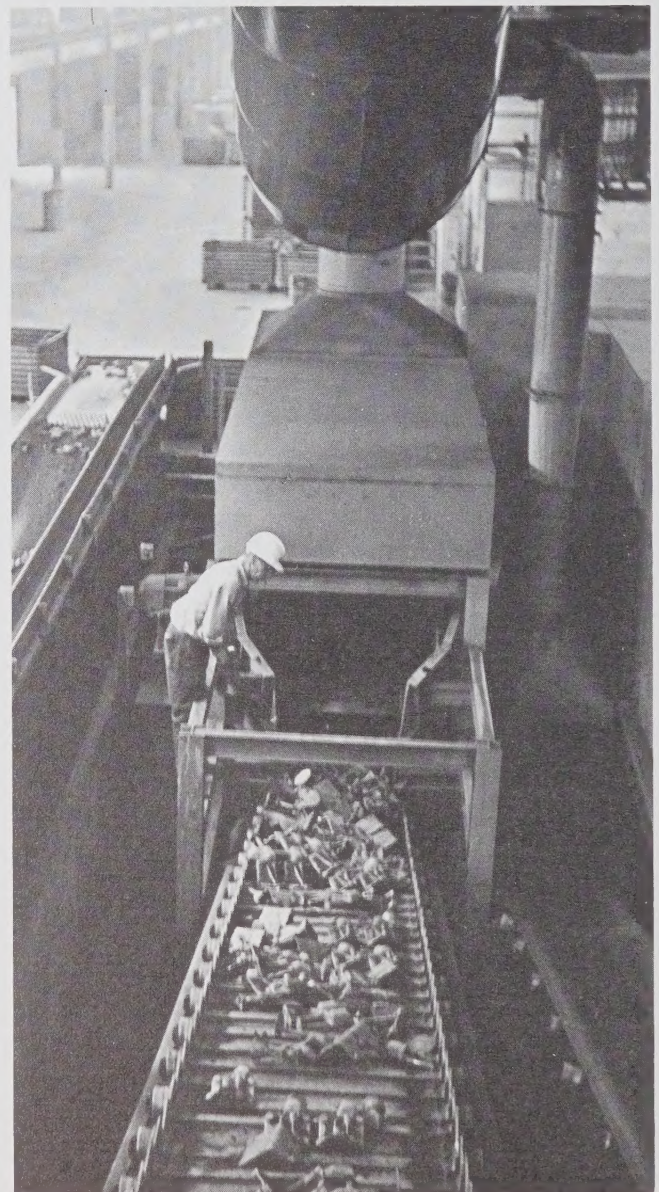
The decline in profits in 1970 occurred as a result of a number of unfavourable factors, mostly outside management's control. Labour disputes in the North American automotive industry and the Canadian construction industry temporarily impeded our market potential. The floating of the Canadian dollar not only reduced the company's profit margin on export sales, but also adversely affected its competitive position in the automotive parts market. The resulting downward pressure on earnings was aggravated by significant increases in the cost of labour, material and services which occurred in the period.

Internal factors contributing to lower earnings in 1970 were: non-recurring start-up costs of the Brantford plant, previously referred to, increased interest charges on long-term debt incurred in connection with the expansion and, lastly, substantially higher depreciation write-offs.

Foundry Expansion

The expansion program of the Brantford plant, initiated in 1969, was completed in 1970 with the installation of a third

As castings emerge from the shake-out they are checked for imperfections.





annealing furnace, a most important back-up facility in a crucial area of operations. Your directors are pleased to report that the program, initially budgeted at \$3,100,000, was completed at a cost of \$3,082,345. This latter figure includes funds contributed to working capital in the amount of \$256,955.

As a result of this expansion, including three new electric induction furnaces and the Disamatic moulding machine, your company's Brantford plant is now one of the most modern and efficient foundry facilities in North America.

Capital Expenditures

Capital expenditures for the year under review were \$1,358,065, marking the completion of the Brantford plant modernization and expansion program.

Air pollution control equipment for the Galt foundry will be purchased and installed during the current fiscal year at a total cost budgeted at \$168,000. Long-term financing, covering this expenditure, has been arranged by your management. The Brantford foundry division was engineered and designed to conform with present foundry regulations and will not require expenditures for this purpose.

Outlook for the Future

Preliminary results for the first quarter of the current year show an improvement in the company's profit margin. A very rigid cost control program was implemented during the latter part of 1970 and this, coupled with a continuing increase in the efficiency of the new Brantford foundry, should result in a further progressive improvement in the profit margin.

Your directors are optimistic about the future of the company and, although our present views of the economy are tempered with caution, we are satisfied that the months ahead will show a marked increase in the demand for automotive parts as well as for industrial hardware. This, combined with increased productive capacity, should result in restoration of satisfactory earnings for the current year.

Proposed Increase in Capital

At a regular meeting of directors of the company, held on April 13, 1971, your directors passed a special resolution which would provide for a reorganization of the capital structure of the company if confirmed by the votes of two-

thirds of the shareholders, cast in person or by proxy, at the annual and general meeting. A copy of the special resolution containing the proposed amendments to the company's charter is attached to the notice calling the meeting, which is being forwarded to you with this annual report.

In addition, shareholders will be asked at the meeting to confirm by-laws providing for indemnification of the directors, the establishment of the board of directors and the fixing of its quorum, and the creation of the position of chairman of the board. The enactment of The Business Corporations Act, 1970 has made it necessary for the company to provide for the foregoing matters by by-law.

Employees of the Company

Your directors wish to express their appreciation to all employees for their loyalty and dedication to the company. In particular, we wish to thank Mr. Norman W. Zinn who retired on December 31, 1970, after having served the company in varying capacities for over fifty years.

Annual and General Meeting

An annual and general meeting of shareholders of the company will be held on May 19, 1971, at Galt-Brantford Malleable Limited, Power Line Road, Brantford Township, County of Brant, Ontario. A notice of the meeting and an information circular is enclosed with this annual report.

Your directors hope that as many shareholders as possible will attend the meeting in person. However, if you are unable to attend, may we urge you to sign and return your proxy so that you will be represented at the meeting.

After the meeting, shareholders are invited to participate in a tour of the new Brantford foundry.

On behalf of the Board,

A handwritten signature in red ink, appearing to read 'D. L. Chandler'.

D. L. CHANDLER
Chairman

A handwritten signature in red ink, appearing to read 'H. C. Mackay'.

H. C. MACKAY
President

Galt, Ontario
April 21, 1971

Galt Malleable Iron Limited

(Incorporated under the laws of Ontario)

and subsidiary companies

Consolidated Balance Sheet • December 31, 1970

(with comparative figures at December 31, 1969)

ASSETS

CURRENT ASSETS

| | 1970 | 1969 |
|---|------------------|------------------|
| Cash | \$ 59,533 | |
| Marketable securities, at cost (quoted market value 1970, \$28,028; 1969, \$28,950) . . | 42,689 | \$ 41,714 |
| Accounts receivable | 799,812 | 874,268 |
| Advances receivable on long-term debt | 188,207 | 821,375 |
| Inventories (note 2) | 771,480 | 778,369 |
| Prepaid expenses | 20,772 | 15,805 |
| | <u>1,882,493</u> | <u>2,531,531</u> |

OTHER ASSETS

| | | |
|--|----------------|----------------|
| Investments, at cost | 210,000 | 210,000 |
| Life insurance, cash surrender value | 10,200 | 6,000 |
| Special refundable tax | | 918 |
| | <u>220,200</u> | <u>216,918</u> |

FIXED ASSETS (note 3)

| | | |
|---|------------------|------------------|
| Land | 95,079 | 95,079 |
| Buildings | 2,006,601 | 1,713,897 |
| Machinery and equipment | 5,076,003 | 2,656,320 |
| Railway siding | 3,951 | 3,951 |
| Construction work in progress | | 1,398,982 |
| | <u>7,181,634</u> | <u>5,868,229</u> |
| Less accumulated depreciation | 1,529,026 | 1,340,720 |
| | <u>5,652,608</u> | <u>4,527,509</u> |

| | | |
|--|--------------------|--------------------|
| DEFERRED FINANCIAL EXPENSE less amortization | 46,941 | 51,783 |
| | <u>\$7,802,242</u> | <u>\$7,327,741</u> |

Approved by the Board

H. C. MACKAY, Director

F. W. SIMPSON, Director



LIABILITIES

CURRENT LIABILITIES

| | | |
|---|------------|------------|
| Bank advances, against which book debts and inventories have been pledged | \$ 294,012 | \$ 212,798 |
| Accounts payable and accrued liabilities | 382,834 | 931,889 |
| Dividends payable | | 78,300 |
| Income and other taxes payable | 57,252 | 114,655 |
| Principal due within one year on long-term debt | 374,982 | 189,300 |

1,109,080 **1,526,942**

LONG-TERM DEBT (note 4) **3,700,410** **2,774,600**

DEFERRED INCOME TAXES (note 5) **108,847** **159,307**

MINORITY INTEREST IN PREFERENCE SHARES OF GALT-BRANTFORD
MALLEABLE LIMITED **200,000** **263,000**

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized

2,836 6% Cumulative sinking fund first preference shares, par value \$100, redeemable at up to \$105 per share

799 6¼ % Cumulative participating second preference shares, par value \$100, redeemable at up to \$105 per share (after giving effect to the redemption of 10 shares in 1970)

800,000 Common shares without par value

Issued

336 First preference shares **33,600** **33,600**

299 Second preference shares (309 shares in 1969) **29,900** **30,900**

522,000 Common shares **632,702** **632,702**

696,202 **697,202**

CONTRIBUTED SURPLUS **131,280** **130,980**

RETAINED EARNINGS **1,856,423** **1,775,710**

2,683,905 **2,603,892**

\$7,802,242 **\$7,327,741**

COMMITMENTS (note 6)

UNFUNDED PENSION BENEFITS (note 7)

Galt Malleable Iron Limited

and subsidiary companies

Consolidated Statement of Income

Year ended December 31, 1970 (with comparative figures for 1969)

| | 1970 | 1969 |
|--|-------------|-------------|
| Sales | \$7,389,728 | \$7,242,867 |
| Income before undernoted items | 738,805 | 1,100,868 |
| Depreciation | 204,069 | 170,949 |
| Amortization of deferred financial expense | 4,842 | 790 |
| Interest on long-term debt | 230,353 | 88,554 |
| Other interest | 39,600 | 52,410 |
| Loss on sale of fixed assets | 24,246 | |
| | 503,110 | 312,703 |
| Income before income taxes, minority interest and extraordinary items | 235,695 | 788,165 |
| Income taxes (note 5) | 138,819 | 441,159 |
| Income before minority interest and extraordinary items | 96,876 | 347,006 |
| Dividends on preference shares paid to minority shareholders of subsidiary company | 12,000 | 15,780 |
| Income before extraordinary items | 84,876 | 331,226 |
| Extraordinary items (note 8) | | 177,850 |
| NET INCOME FOR THE YEAR | \$ 84,876 | \$ 509,076 |
| EARNINGS PER SHARE after deducting dividends on preference shares | | |
| Income before extraordinary items | \$.15 | \$.63 |
| Extraordinary items | | .34 |
| Net income for the year | \$.15 | \$.97 |

Consolidated Statement of Retained Earnings

Year ended December 31, 1970 (with comparative figures for 1969)

| | 1970 | 1969 |
|--|-------------|-------------|
| Balance at beginning of year | | |
| As previously reported | \$1,791,990 | \$1,365,161 |
| Adjustment of prior years' income taxes (note 9) | 16,280 | 16,280 |
| As restated | 1,775,710 | 1,348,881 |
| Net income for the year | 84,876 | 509,076 |
| | 1,860,586 | 1,857,957 |
| Dividends on | | |
| First preference shares | 2,016 | 2,016 |
| Second preference shares | 2,147 | 1,931 |
| Common shares | | 78,300 |
| | 4,163 | 82,247 |
| BALANCE AT END OF YEAR | \$1,856,423 | \$1,775,710 |

Consolidated Statement of Contributed Surplus

Year ended December 31, 1970 (with comparative figures for 1969)

| | 1970 | 1969 |
|---|------------|------------|
| Balance at beginning of year | \$ 130,980 | \$ 130,980 |
| Discount on second preference shares purchased for cancellation | 300 | |
| BALANCE AT END OF YEAR | \$ 131,280 | \$ 130,980 |



Consolidated Statement of Source and Application of Funds

Year ended December 31, 1970 (with comparative figures for 1969)

| | 1970 | 1969 |
|--|-------------------|--------------------|
| SOURCE OF FUNDS | | |
| Income before extraordinary items | \$ 84,876 | \$ 331,226 |
| Items not involving current funds | | |
| Depreciation and amortization | 208,911 | 171,739 |
| Deferred income taxes | (50,460) | 214,050 |
| Discount on bonds purchased for cancellation | (2,100) | |
| | 241,227 | 717,015 |
| Issue of common shares | | 18,000 |
| Advances on long-term debt | 1,311,793 | 1,717,600 |
| Sale of fixed assets | 28,896 | 2,130 |
| Special refundable tax | 918 | 2,192 |
| | 1,582,834 | 2,456,937 |
| APPLICATION OF FUNDS | | |
| Additions to fixed assets | 1,358,065 | 1,635,605 |
| Long-term debt paid or included in current liabilities | 374,982 | 212,400 |
| Purchase of bonds (par value \$11,000) | 8,900 | |
| Dividends on | | |
| Preference shares | 4,163 | 3,947 |
| Common shares | | 78,300 |
| Deferred financial expense | | 48,627 |
| Increase in life insurance, cash surrender value | 4,200 | 6,000 |
| Preference shares redeemed by subsidiary company | 63,000 | 16,000 |
| Purchase of second preference shares (par value \$1,000) | 700 | |
| | 1,814,010 | 2,000,879 |
| INCREASE (DECREASE) IN WORKING CAPITAL | (231,176) | 456,058 |
| WORKING CAPITAL AT BEGINNING OF YEAR | | |
| As previously reported | 1,020,869 | 564,811 |
| Adjustment of prior years' income taxes (note 9) | 16,280 | 16,280 |
| As restated | 1,004,589 | 548,531 |
| WORKING CAPITAL AT END OF YEAR | \$ 773,413 | \$1,004,589 |

Galt Malleable Iron Limited

and subsidiary companies

Notes to Consolidated Financial Statements

Year ended December 31, 1970

1. Basis of Consolidation

The subsidiary companies are G.M.I. Properties Limited, a wholly-owned subsidiary, and Galt-Brantford Malleable Limited, a controlled subsidiary. Galt-Brantford Malleable Limited has changed its year end from January 13 to December 31, effective December 31, 1970.

2. Inventories

| | 1970 | 1969 |
|---------------------------------|------------------|------------------|
| Raw materials and supplies..... | \$379,555 | \$364,410 |
| Work in process..... | 219,787 | 207,137 |
| Finished goods | | |
| Manufactured..... | 71,280 | 89,489 |
| Purchased for resale..... | 100,858 | 117,333 |
| | <u>\$771,480</u> | <u>\$778,369</u> |

Raw materials and supplies and finished goods purchased for resale are valued at lower of cost and replacement cost. Work in process and finished goods manufactured are valued at lower of cost and net realizable value.

3. Fixed Assets

Buildings, machinery and equipment are valued at appraised values at May 3, 1956, with subsequent additions at cost. Other fixed assets are at cost.

4. Long-Term Debt

| | 1970 | 1969 |
|---|--------------------|--------------------|
| Galt Malleable Iron Limited | | |
| 5¼ % First mortgage sinking fund bonds due July 1, 1976 | \$ 241,500 | \$ 250,000 |
| 5½ % General mortgage sinking fund bonds due July 1, 1981 | 227,500 | 230,000 |
| Galt-Brantford Malleable Limited | | |
| First mortgage income bonds due January 15, 1974 | | |
| 6¼ %..... | 640,000 | 700,000 |
| 6½ %..... | 49,000 | 58,000 |
| 7¼ % Debenture due August 15, 1982..... | 2,184,945 | 1,288,200 |
| 10% First mortgage bonds due June 15, 1982..... | 725,347 | 429,400 |
| G.M.I. Properties Limited | | |
| Mortgage payable due January 2, 1977..... | 7,100 | 8,300 |
| | <u>4,075,392</u> | <u>2,963,900</u> |
| Less principal included in current liabilities | 374,982 | 189,300 |
| | <u>\$3,700,410</u> | <u>\$2,774,600</u> |

The company and its subsidiaries have agreed to certain regulation of the following activities:

- Investments
- Purchase and disposal of fixed assets
- Issue of long-term debt
- Issue and redemption of capital stock
- Payment of dividends

Principal on long-term debt due within each of the next five years is as follows:

| | |
|-----------|-----------|
| 1971..... | \$374,982 |
| 1972..... | 384,055 |
| 1973..... | 390,511 |
| 1974..... | 810,124 |
| 1975..... | 322,700 |

5. Income Taxes

| | 1970 | 1969 |
|---------------|------------------|------------------|
| Current..... | \$189,279 | \$227,109 |
| Deferred..... | (50,460) | 214,050 |
| | <u>\$138,819</u> | <u>\$441,159</u> |

- Prior to January 13, 1969 Galt-Brantford Malleable Limited was exempt from income taxes for a three-year period because the company was operating in a designated area. Deferred income tax charges were not recorded relating to depreciation provided in the accounts since the inception of the company and available as a deduction for income tax purposes after January 13, 1969. Deferred income tax charges were likewise not recorded on a loss carried forward of \$29,869 from 1966.

- In the year ended January 13, 1970 Galt-Brantford Malleable Limited changed its basis of accounting for income taxes by adopting the tax allocation basis under which earnings are charged with income tax deferrals resulting from claiming expenses for tax purposes in amounts differing from expenses recorded in the accounts.

The company and its subsidiaries now account for income taxes on the tax allocation basis.

- With respect to Galt-Brantford Malleable Limited, the accumulated total of income tax reductions relating to depreciation provided in the accounts for the years ended January 13, 1967 to 1969 amounting to \$161,900 has been reflected as an extraordinary item in the 1969 consolidated statement of income rather than as a prior period adjustment in the consolidated statement of retained earnings. The net income is \$161,900 greater than it would have been had this income tax reduction been credited to retained earnings.



6. Commitments

The company is committed to capital expenditures in the approximate amount of \$168,000 for pollution control equipment at the Galt Foundry Division. Related long-term financing has been arranged.

7. Unfunded Pension Benefits

The most recent independent actuarial report indicates that the single sum liability for unfunded past service pension benefits not provided for in the accounts at December 31, 1970 is approximately \$212,000.

It is the company's intention to fund this liability by annual instalments (including interest) of \$17,507 from 1970 through 1988.

8. Extraordinary Items

The extraordinary items relate to Galt-Brantford Malleable Limited and consist of the following:

| | |
|---|------------------|
| Income tax reductions relating to depreciation provided for the years ended January 13, 1967 to 1969 (note 5(c))..... | \$161,900 |
| Income tax reduction realized on carry-forward of the loss for 1966..... | 15,950 |
| | <u>\$177,850</u> |

9. Adjustment of Prior Years' Income Taxes

During 1970 the company and a subsidiary were assessed for additional income taxes for the years 1966 to 1968. Accordingly, retained earnings at beginning of year have been restated from the amount previously reported to reflect the charge of \$16,280.

10. Other Statutory Information

Direct remuneration of directors and senior officers (as defined by The Business Corporations Act, 1970) amounted to \$144,727 (\$131,674 in 1969).

11. Comparative Figures

Certain figures for 1969 have been reclassified in order to present them in a form comparable with those for 1970.

Auditors' Report

To the Shareholders of
GALT MALLEABLE IRON LIMITED

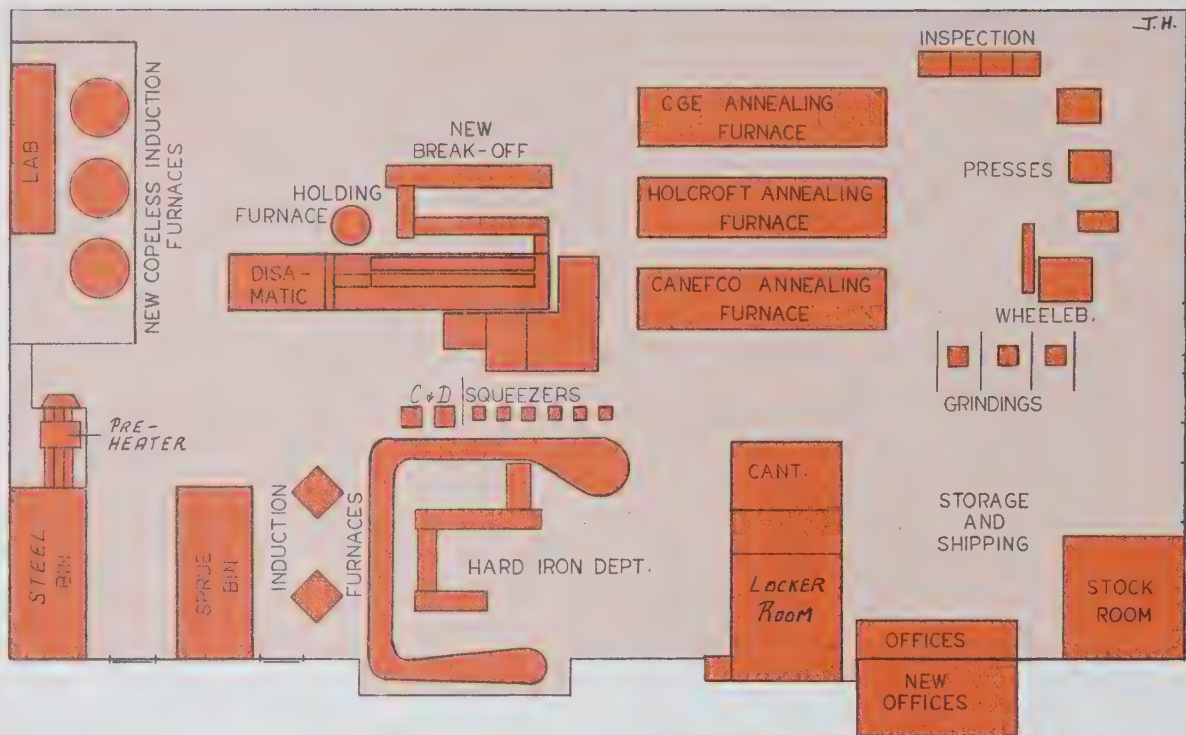
We have examined the consolidated balance sheet of Galt Malleable Iron Limited and subsidiary companies as at December 31, 1970 and the consolidated statements of income, retained earnings, contributed surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at

December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

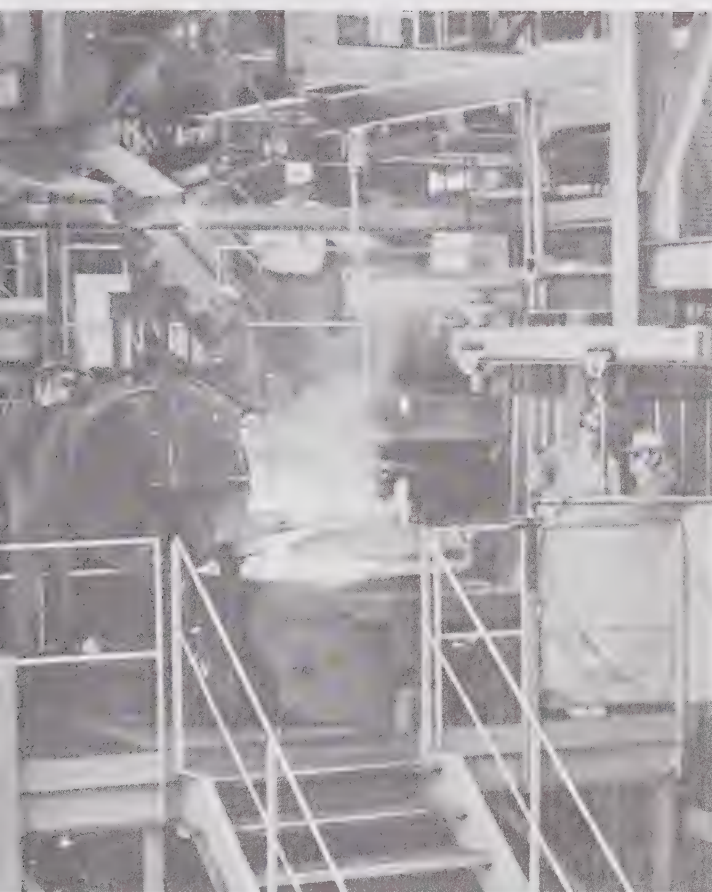
Toronto, Canada
March 1, 1971



Simplified diagram floor plan of the Brantford foundry.



The large 3,000 lb. transfer ladle of one of the Brantford foundry's new coreless electric furnaces is being held in position while a smaller ladle is filled from it.



The smaller ladle seen in the bottom picture on the opposite page is now being unloaded into the two-ton holding furnace.



Pouring of metal into the Disamatic-made sand moulds.



GALT, ONTARIO

GALT MALLEABLE IRON LIMITED

ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual meeting of the shareholders of GALT MALLEABLE IRON LIMITED (the "Company") will be held on the 11th floor, the Board of Trade Building, 11 Adelaide St. West, Toronto, Ontario, on Tuesday, the 28th day of April, 1970, at the hour of 10.00 o'clock in the forenoon, Toronto Time, for the following purposes:

- (1) To receive and consider the annual report, the financial statements and the report of the auditors;
- (2) To elect directors;
- (3) To appoint auditors and to authorize the directors to fix their remuneration;
- (4) To transact such further and other business as may properly come before the meeting or any adjournment or adjournments thereof.

DATED the 10th day of April, 1970.

By order of the Board,

F. W. SIMPSON
Secretary-Treasurer.

Shareholders who are unable to attend the meeting in person are requested to complete, date, sign and return the enclosed instrument of proxy in the envelope provided for that purpose.

GALT MALLEABLE IRON LIMITED

Information Circular

This Information Circular is furnished in connection with the solicitation by the management of Galt Malleable Iron Limited (the "Company") of proxies to be voted at the annual meeting of the shareholders of the Company called for the purposes set forth in the accompanying notice of meeting and to be held on the 11th floor, the Board of Trade Building, 11 Adelaide St. West, Toronto, Ontario, on April 28, 1970, and at any adjournment or adjournments thereof. Solicitation will be by mail, possibly supplemented by telephone or other personal contact by the directors of the Company. The cost of such solicitation will be borne by the Company.

REVOCATION OF PROXY

A shareholder executing the accompanying instrument of proxy has the power to revoke it at any time before it is exercised by giving notice in writing of such revocation to the Secretary-Treasurer of the Company or to the Chairman of the meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The outstanding capital of the Company consists of 522,000 common shares without par value, 336 First preference shares and 309 Second preference shares as at April 10, 1970, all as fully paid. Common shareholders of record at the time of the meeting are entitled to one vote for each share held.

To the knowledge of the directors and senior officers of the Company the following person and corporation beneficially own, directly or indirectly, more than 10% of the outstanding shares of the Company and their holdings are those set out beside their respective names:

| | <u>Shareholdings</u> | <u>Percent of Outstanding Shares</u> |
|--|----------------------|--|
| David L. Chandler..... | 271,740 | 52.1 |
| R. J. Simpson Manufacturing Company (Canada) Limited..... | 80,000 | 15.3 |

ELECTION OF DIRECTORS

It is proposed that the following persons will be nominated for election as directors of the Company to hold office from the date of election until the first following annual meeting of shareholders of the Company or until their respective successors shall be elected or appointed. The following is information concerning the proposed nominees for election as directors. Information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective directors individually.

| <u>Name</u> | <u>Other Positions and Offices Presently Held in the Company</u> | <u>Period in Which Nominee has Served as Director of the Company</u> | <u>Number of Shares of the Company Beneficially Owned</u> | <u>Principal Occupation at Present and During Past 5 Years</u> |
|--------------------|--|--|---|--|
| DAVID L. CHANDLER | Chairman | Since March 3, 1959 | 271,740 | Executive, Bache & Co. Inc. |
| H. C. MACKAY | President | Since July 11, 1956 | 25,770 | President, Galt Malleable Iron Limited |
| H. J. MURPHY, Q.C. | None | Since March 3, 1959 | 21,568 | Barrister, Garvey, Ferriss and Murphy |
| R. W. NAVARRE | None | Since March 5, 1970 | 100 | Executive, Simpson Manu- facturing Co. |
| F. W. SIMPSON | Secretary- Treasurer | Since Feb. 13, 1964 | 9,607 | Sec.-Treas. Galt Malleable Iron Limited |

R. W. Navarre is a nominee for election as a director pursuant to an arrangement between R. J. Simpson Manufacturing Company (Canada) Limited and the Company to give them representation on the Board of Directors.

REMUNERATION OF MANAGEMENT

The aggregate direct remuneration paid by the Company and its subsidiaries to directors and senior officers of the Company as defined by The Corporations Act of Ontario for the year ended December 31, 1969 was \$131,674.

APPOINTMENT OF AUDITORS

It is intended to vote the proxy to appoint the firm of Thorne, Gunn, Helliwell & Christenson, Chartered Accountants, Toronto, Ontario, as the auditors of the Company.

PARTICULARS OF MATTERS TO BE ACTED UPON AND DISCRETIONARY AUTHORITY

Management is not now aware that any matters will be submitted to the forthcoming annual meeting of shareholders other than the receipt and consideration of the aforesaid balance sheet and related statements, the election of directors, and the appointment of auditors, all as referred to in the foregoing notice of meeting. If any other matters not now known to management shall properly come before the meeting, the accompanying proxy will be voted on such matters in accordance with the best judgment of the person or persons voting the proxy, and discretionary authority necessary in such event is conferred by any person giving the proxy to management.

MANNER OF VOTING PROXIES

The shares represented by proxies received by the management will be voted, and will be voted in accordance with the statements made above. It is intended that the accompanying instrument of proxy, if signed, dated and returned to the Company prior to the meeting and completed in the names of the persons therein named, will be voted in favour of approval of the financial statements, in the election of the board of directors, in favour of the appointment of auditors, all as set forth above.

The persons named in the accompanying instrument of proxy are officers of the Company. A shareholder has the right to appoint any person other than those named to represent him at the meeting and if using the accompanying instrument, should strike out the printed names and insert the name of his nominee in the space provided therefor. A shareholder may submit any other appropriate instrument of proxy.

DATED as of this 10th day of April, 1970.

On behalf of the Board of Directors,

F. W. SIMPSON
Secretary-Treasurer.

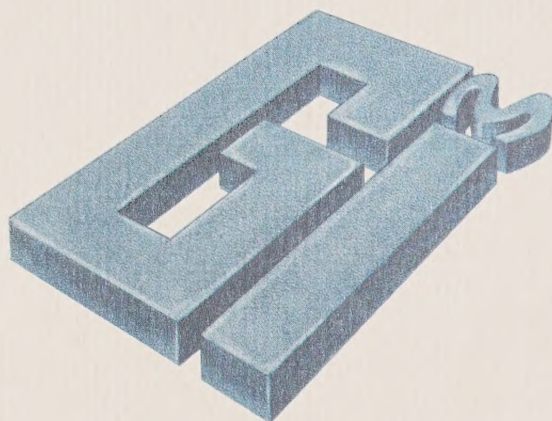


AR25

Consolidated Statement of Source and Application of Funds

| | Six Months ended June 30 | |
|---|--------------------------|-------------------|
| | 1970 | 1969 |
| Source of Funds | | |
| Operations: | | |
| Net income for the period | \$ 77,099 | \$ 359,610 |
| Items not involving a current outlay (inflow) of funds: | | |
| Depreciation | 156,700 | 82,150 |
| Reduction of deferred income taxes | (33,120) | (7,200) |
| Special refundable tax | 1,313 | (2,601) |
| Advances on long-term debt | 500,069 | — |
| Net income of subsidiary not consolidated in interim statements | 9,637 | 7,120 |
| | <u>\$ 711,698</u> | <u>\$ 439,079</u> |
| Application of Funds | | |
| Additions to fixed assets | \$ 544,916 | \$ 73,282 |
| Long-term debt paid or included in current liabilities | 175,200 | 46,700 |
| Redemption of sinking fund bonds | 4,500 | — |
| Preference shares redeemed: by subsidiary company from minority shareholder | 63,000 | — |
| Payment of preference share dividends | 1,972 | 1,972 |
| Life insurance cash surrender value | 4,518 | — |
| | <u>\$ 794,106</u> | <u>\$ 121,954</u> |
| Increase (decrease) in working capital position | \$ (82,408) | \$ 317,085 |
| Working capital at beginning of period | <u>\$1,017,759</u> | <u>\$ 564,811</u> |
| Working capital at end of period | <u>\$ 935,351</u> | <u>\$ 881,896</u> |

GALT MALLEABLE IRON LIMITED



Interim Report
for the six months ended June 30, 1970



To the Shareholders :

Notwithstanding an increased volume of sales, net profit of your company for the six months ended June 30, 1970, showed a marked decline. Net earnings per common share were 15¢ as compared to 69¢ for the same period in 1969.

This decrease in profits is primarily due to the following factors :

Heavy non-recurring costs associated with the start-up of the new foundry facilities at Galt Brantford Malleable Limited.

Increased interest costs related to the financing program and higher depreciation charges for new equipment resulting in a reduction of profits by 25¢ per common share.

Increased labor and raw material costs.

Unfavorable economics of export sales brought about by the floating of the Canadian dollar. In the present environment of highly competitive pricing, this is an area of particular concern, notwithstanding the company's increased sales penetration of the export market.

Your directors are pleased to report that the new Brantford facilities are now operative and the plant's increased productive capacity and inherent efficiency should contribute to improved results in the remaining months of the current year.

On behalf of the board,

Chairman of the Board

President

Consolidated Financial Data

| | Six Months ended June 30 1970 | 1969 |
|--|----------------------------------|--------------------|
| Sales | <u>\$3,872,924</u> | <u>\$3,725,753</u> |
| Income before undernoted items | <u>416,066</u> | 608,231 |
| Depreciation | <u>156,700</u> | 82,150 |
| Interest on long-term debt : | | |
| First mortgage income bonds | <u>20,779</u> | 23,464 |
| Debentures (relating to expansion program) | <u>56,149</u> | — |
| Other | <u>12,888</u> | 12,890 |
| | <u>246,516</u> | 118,504 |
| Income before income taxes | <u>169,550</u> | 489,727 |
| Income taxes | <u>92,451</u> | 130,117 |
| Net income for the period | <u>\$ 77,099</u> | <u>\$ 359,610</u> |
| Common shares outstanding | <u>522,000</u> | 520,000 |
| Earnings per common share | <u>15¢</u> | 69¢ |